



STATE OF DELAWARE

PUBLIC SERVICE COMMISSION

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MEMORANDUM

TO: The Chair and Members of the Commission

FROM: Pamela Knotts, Regulatory Policy Administrator *PK*

SUBJECT: THE MATTER OF THE PROVISION OF RENEWABLE ENERGY
PORTFOLIO STANDARDS COMPLIANCE CHARGE AND CREDIT RATE
TO RETAIL CONSUMERS IN THE SERVICE TERRITORY OF DELMARVA
POWER & LIGHT COMPANY (FILED MARCH 31, 2017)
PSC DOCKET NO. 17-0163

Application

On March 31, 2017, Delmarva Power & Light Company ("Delmarva" or the "Company") filed with the Commission revised electric tariffs reflecting new Renewable Energy Portfolio Standard Charge ("RPS Charge") and Renewable Energy Portfolio Standard Credit ("RPS Credit") with an effective date of June 1, 2017 (the "2017 RPS Filing"). Delmarva also provided supporting work papers. According to the Company's rate change, the RPS Charge impact on the monthly bill for a residential customer using 1,000 kWh on an annual average basis will be increased by approximately \$0.27¹ (or an increase of approximately 6.6%).

The Company's 2017 RPS Filing includes implementation of the RPS Charge.² This charge consists of (1) the cost to acquire renewable energy credits ("RECs"), and solar renewable energy credits ("SRECs"), necessary to comply with the Delaware Renewable Energy Portfolio Standards Act ("RPS"); (2) the cost and/or benefit of the energy from contracts for renewable energy entered into by the Company with the approval of the Commission; and (3) the adjustment of the Qualified Fuel Cell Provider Project (Bloom) on the RPS obligations. The 2017 RPS Charge rate is \$0.004357/kWh for all service classifications or an increase of 6.6% from the 2016 RPS Charge of \$0.004088.

¹ This does not include the Qualified Fuel Cell Provider Monthly Charge.

² This term is defined above in the first paragraph.

The RPS Credit rate is \$0.00000/kWh for all service classifications. The RPS Credit is applied to customers who entered into an electric supply contract with a Third Party Supplier that includes the cost of RPS compliance prior to March 1, 2012. All respective energy supply contracts have expired.

Additionally in this filing Delmarva seeks to recover the solicitation and administrative costs for the 2016 SREC Procurement Program. Pursuant to Order No. 8450 dated September 10, 2013, the Commission approved the 2013 SREC Procurement Program, and stated, “Delmarva will be required to justify any SEU-related costs above what ratepayers would have paid had Delmarva managed the solicitation itself and had Delmarva not used the SEU as a contractual intermediary.” Staff continues to use this as a benchmark.

On May 23, 2017, the Commission issued Order No. 9062 which, among other things, placed the proposed rates into effect on June 1, 2017, on a temporary basis, with proration, subject to refund. The order allowed for the public comment period and intervention to end on July 28, 2017. Staff did not receive any public comments or objections in this docket. There were no interveners in this docket.

Analysis

Staff met with the Company in one workshop to discuss and resolve issues and issued several rounds of discovery. Staff appreciated the detailed exchange of information which helped to alleviate more rounds of formal discovery questions.

As part of the cost recovery for the RPS costs in the instant filing, Delmarva included the 2016 SREC Procurement Program auction and administrative costs charged by the SEU and its contract administrator (“Inclime”) for the period January-December 2016.

As part of Staff’s analysis, they compared what the SEU and Inclime, charged for the contract administration costs for the period January – December 2016 compared to what estimated costs Delmarva would have incurred if it managed the administration of contracts itself. The estimate that Delmarva provided in their work papers did not include any capital costs to acquire or develop software associated with bringing Inclime’s IT infrastructure in-house. According to Delmarva’s work papers, the cost of having Delmarva perform these contract functions would have been \$178,359.00 more if Delmarva had managed the administration of contracts itself.

Therefore Staff concluded that it is less costly to have the SEU and Inclime continue with these responsibilities.

Staff also reviewed all the other sections of the filing, and noted one minor calculation error³, and found the filing to be consistent with prior orders.

³ The amount was \$54.75 which was charged to Delaware instead of Maryland for broker fees for RECs. The Company reversed the error in 2017.

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Staff's Recommendation

Staff respectfully recommends that the Commission approve as final the RPS Charge rate and the RPS Credit rate that went into effect on a temporary basis on June 1, 2017, with proration for the period from June 1, 2017 to May 31, 2018.